GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:22
ANSWERED ON:25.02.2000
INTEREST RATE ON SMALL SAVINGS AND PPF
RAMPAL SINGH;SAMAR CHOUDHURY

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have recently reduced the interest rate on small savings and Public Provident Fund;

(b) if so, the details thereof and the reasons therefor;

(c) whether the recent cut in the interest rate has affected the small savings in the country;

(d) if so, the details thereof; and

(e) the steps proposed to be taken by the Government to help the pensioners and other old individuals who invest their money in these sectors for their maintenance?

Answer

FINANCE MINISTER (SHRI YASHWANT SINHA)

(a) to (e) A statement is laid on the Table of the House.

STATEMENT AS REFERRED IN REPLY TO THE LOK SABHA STARRED QUESTION NO. 22 FOR ANSWER ON FEBRUARY, 2000

(a) Yes, Sir. The interest rates on certain small savings schemes and Public Provident Fund have been reduced on 15.1.2000.

(b)
(i) Annex-I details the interest rates on various small savings schemes and Public Provident Fund on and before 15.1.2000.

(ii) The marginal reduction in the interest rates on various small savings schemes and Public Provident Fund was necessitated in the larger interest of economy so as to align these rates with the overall interest rate structure in the country.

(c) No adverse effect on the small savings is expected as the small savings still offer a risk free avenue of investment with attractive returns, easy liquidity and considerable tax incentives, available on tap around the year to the investors. There was a growth in collections in the current year notwithstanding the reduction made last year.

(d) Does not arise.

(e)Adequate steps are being taken from time to time to help the senior citizens including pensioners to provide them a better opportunity to invest their savings. The zero risk nature of small savings schemes renders their risk-return equation very favorable. No reduction was made in the tax-free rate of interest of 9% in the two deposit schemes meant for retiring/retired Government Employees and Employees of Public Sector Undertakings.

ANNEX-I

STATEMENT SHOWING THE SMALL SAVINGS SCHEMES IN FORCE, RATES OF INTEREST AND TAX BENEFITS AVAILABLE THERE ON

Name of the Scheme	interest rates w.e.f. 1.1.99	% / maturity value w.e.f. 15.1.2000	
1 ,@ Post Office Savings Account (individual account)	4.50	No change	Simple
2 Post Office Recurring Deposit (5 Years) Maturity value for	Rs.811.15	Rs.789.60	

	Rs. 10 denomination			
3	Post Office Monthly Income Scheme (6 years)	12.00	11.00	Payable monthly plus bonus at 10% of deposits at the end of six years
4	Post Office Time Deposit Schemes:			
(a)	1 Year Deposit	9.00	8.00	Compounded quarterly and payable annually
(b)	2 Year Deposit	10.00	9.00	:do:
(c)	3 Year Deposit	11.00	10.00	:do:
(d)	5 Year Deposit	11.50	10.50	:do:
5	National Savings Certificate VIIIth Issue (6-Years) Maturity value for Rs.100 denomination		Rs.195.60	Rs.190.12
6	National Savings Scheme 1992 (4-Yrs)	11.00	10.50	Payable annually
7	Kisan Vikas Patra Maturity value for Rs. 100 denomination	Rs.200 In 6 years	Rs.200 In 6 1/2 Years	
8 ,@	Public Provident Fund Scheme (15-Years)	12.00	11.00	
9 ,@	Deposit Scheme for Retiring Govt. Employees (3-Years)	9.00	No change	Payable half-yearly
10 ,@	Deposit Scheme for Retiring Employees of Public Sector Undertakings (3- Years)	9.00	No change	Payable half-yearly

Legends:

Benefit under Section 80L (of Income Tax Act) available.
Benefit under Section 88 & 80L (of Income Tax Act)available.
,@ Interest completely tax free.

In case of PPF benefit under Section 88 (of Income Tax Act) is also available.